

Message Text

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ACTION NEA-10

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UNCLAS NEW DELHI 6729

E.O. 11652: N/A
TAGS: EFIN, IN
SUBJECT: MINOR BUDGET CHANGES

REF: (A) NEW DELHI 3375 (B) NEW DELHI A-56

1. IN RESPONSE TO REPRESENTATIONS FROM VARIOUS INTEREST GROUPS, FINANCE MINISTER PATEL ANNOUNCED IN THE LOK SABHA ON APRIL 27 THAT SEVERAL TAX MODIFICATIONS HAD BEEN MADE IN THE 1978-79 CENTRAL GOVERNMENT BUDGET. THE ANNUAL LOSS IN TAX REVENUE AMOUNTS TO ONLY RS 279 MILLION, AND AS A RESULT THIS YEAR'S BUDGET DEFICIT IS EXPECTED TO INCREASE BY RS 250 MILLION.

2. PATEL SAID THAT THE EXCISE DUTY OF TWO PAISE PER KILO-WATT HOUR ON ELECTRICITY GENERATED WAS REDUCED TO 1.8 PAISE. PAYMENTS OF DUTY ON HARD COKE AND ON ONE PERCENT OF THE COAL PRODUCED IN MINES HAVE BEEN EXEMPTED. THE TAXATION LIMIT ON ADVERTISING REVENUES HAS BEEN RAISED FROM RS 20,000 TO RS 40,000 TO PROTECT SMALLER ENTERPRISES AND NEWSPAPERS. PATEL STATED THAT THE SCHEME OF EXPORT MARKET DEVELOPMENT ALLOWANCE HAS BEEN MODIFIED. IT IS UNCLASSIFIED

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NOW APPLICABLE AT A UNIFORM RATE OF 133 1/3 PERCENT OF THE ACTUAL EXPENDITURE FOR DEVELOPMENT OF MARKETS AND WILL NOW BE AVAILABLE ONLY TO RECOGNIZED EXPORT HOUSES, SMALL SCALE EXPORTERS, CONSULTING FIRMS AND WIDELY HELD COMPANIES. THE FINANCE MINISTER EXPLAINED THAT THE DEDUCTION (IN COMPUTING TAXABLE INCOME) OF 50 PERCENT OF THE AMOUNT INVESTED IN EQUITY SHARES OF NEW INDUSTRIAL

COMPANIES IS BEING EXTENDED TO NEW EQUITY SHARES OF APPROVED COMPANIES PROVIDING LONG-TERM FINANCE FOR THE CONSTRUCTION OR PURCHASE OF HOUSES. HE HAS DECIDED TO ALLOW FIXED DEPOSITS WITH BAKS TO BE AN ELIGIBLE METHOD OF INVESTMENT FOR THE PURPOSE OF EXEMPTION FROM LONG-TERM CAPITAL GAINS, PROVIDED THAT NO LAON OR ADVANCE IS TAKEN AGAINST THESE DEPOSITS FOR THREE YEARS. PATEL ALSO SAID THAT ANY INDIAN CITIZEN WHO RENDERED SERVICES OUTSIDE INDIA BUT WHO VISITED HERE ON VACATION FOR LESS THAN 90 DAYS DURING ANY FINANCIAL YEAR WILL NOT BE GEGARDED AS A RESIDENT OF INDIA.

3. COMMENT: THESE MODIFICATIONS, WHILE IMPORTANT TO THE PARTICULAR GROUPS WHICH BENEFITTED, DO NOT CHANGE IN ANY SIGNIFICANT WAY THE OVERALL SHAPE OF THE 1978-79 CENTRAL GOVERNMENT BUDGET OR ITS IMPACT ON THE ECONOMY. ON APRIL 27 THE LOK SABHA PASSED THE BUDGET, AND THE OPPOSITION-DOMINATED RAJYA SABHA WILL NOW CONSIDER IT. EVEN IF THE RAJYA SABHA MAKES ANY CHANGES, THE LOK SABHA WILL HAVE THE FINAL WORD.
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